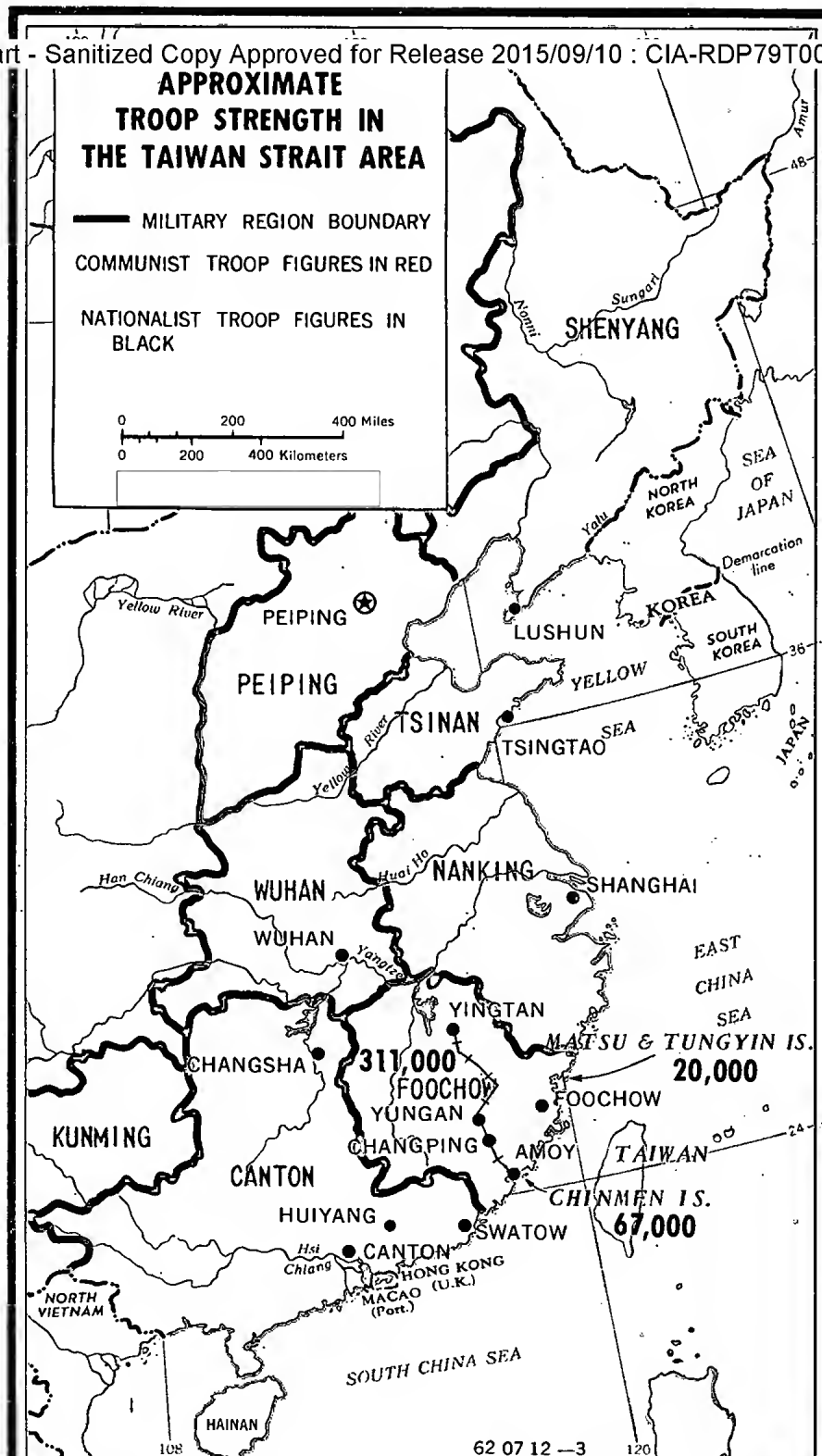


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THE PRESIDENT'S INTELLIGENCE CHECKLIST

13 JULY 1962
~~TOP SECRET~~

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1. Communist China

a. Further evidence that the bulk of the Chinese Communist troops moved to the Amoy area have been settled in comes from Nationalist aerial photography which has now accounted for barracks enough in the area to house about 100,000 troops. We think there are about 175,000 troops within 50 miles of Amoy.

b. The British Consul in Shanghai reports that his Soviet and Polish counterparts have delivered the opinion that "internal reasons" were behind the Chinese Communist buildup. They insisted that Peiping had received no official support for the movements from Moscow.

c. Judging from the condition of the early crops, the Chinese Communists are in for another bad harvest this year.

2. Peru

The prospects for an orderly resolution of the electoral deadlock by means of a coalition agreement sank sharply yesterday when Belaunde announced he would have no part of it and took off for Arequipa, Peru's second city, to preside over a demonstration of his supporters. The military leadership, also yesterday, threw more gloom into the picture by reiterating charges of electoral fraud. There have been no reports this morning of violence in Arequipa, but it looks now as though Belaunde is committed once and for all to a die-hard course, possibly in the belief that if there are disorders the military will intervene and Belaunde will get another chance at the Presidency in army-run elections.

3. Yugoslavia

A high-level Yugoslav economic delegation has returned from Moscow with a new, enlarged trade agreement for 1963-65, a promise of a credit for 1963 of a size to be determined on the basis of specific requests, and, some Yugoslavs say, the right of limited participation in the Bloc's Council for Economic Mutual Assistance. Belgrade indicates, at the same time, that it wants to keep its economic channels open in other directions. Besides some kind of "accommodation" with the EEC, the Yugoslavs say they are looking ahead to eventual full membership in OECD, while, in Cairo, their delegation has just made a strong plea for economic and technical cooperation among the non-aligned states.

4. Czechoslovakia

The Czech regime's economic problems are beginning to take on a political coloration. On Wednesday, the government went through the second major reshuffle this year, with the replacement of a number of top economic officials. Party chief Novotny, who had earlier postponed an upcoming party congress from October to December in a bid for time to put his house in better order, seems to have become vulnerable on the political front because of his economic failures, and rumors have even begun to go around that he will be forced out.

5. East-West Germany

The East Germans have now spelled out in detail what they would like to have in the way of credits from West Germany, and the proposition is now before the Adenauer cabinet after passing through an Inter-Ministerial Committee which examined it closely under a political light. The Committee recommends rejection of a proposed \$600,000,000-plus long-term credit because it would lessen the leverage interzonal trade arrangements now give Bonn against the East Germans with regard to Berlin access, and also because it would not further East Germany's economic dependence on West Germany. A second, lesser credit would be considered if the East Germans would agree to concessions, as for example, on the movement of West Berliners within Berlin. The Committee recommended favorable action on a request for modest short-term credits for the purchase of consumption products, even if the East Germans refused any political quid pro quo.

6. Laos

a. Phoumi has launched a scheme for a political party, to embrace his supporters and hopefully the neutralists, which would contest a future election with the Pathet Lao political organization which is already a going concern. The big question at the moment is whether Phoumi had tested neutralist reaction before making the idea public. However, Souvanna was said to have been pleased by the tone of the telegram he has received from Phoumi on the subject.

(cont'd)

b. The Thai delegate at Geneva has informed us that he has a go-ahead to accept the Lao declaration text. There is no word yet as to whether the South Vietnamese will follow suit.

NOTES

- A. Brazilian prime minister-designate Brochado da Rocha has tried and failed to get enough backing for a proposed cabinet of politicians and will go back to parliament today to seek approval for a slate of "technicians."
- B. Belgian Prime Minister Lefevre's Social Christian - Socialist coalition is alive but not robust after a compromise was reached on the dispute over religion in the schools.
- C. The Cairo economic conference has so far maintained a fairly even disposition, with no anti-EEC bombast to speak of. Moscow may, however, find some encouragement in the sentiment being displayed in favor of a world trade conference under UN auspices.
- D. Burma's Ne Win, as of now, is planning to go ahead with a scheduled private trip to Europe beginning tomorrow and extending for as much as two months. We would have expected him to cancel out in the face of public disturbances which have broken out lately, and think that he would be very rash to turn his back on the home front now.

THE DIRECTOR OF CENTRAL INTELLIGENCE